

During its daily work **JB Gewerbeimmobilien e.K. (JBG)** noticed that relevant real estate information about Kassel region is available from many institutions (Chamber of Commerce, City of Kassel etc.), but these informations were all fragmented. JBG collected all relevant information in its "Market Report Kassel" and presents an own interpretation of current market situation regarding the asset classes office, retail, logistic, residential and hotel.

Unfortunately the complete "Market Report Kassel" with 22 pages is only available in German, but you'll find an executive summary below.

If you are interested in the complete report, please let us know via [info@jb-gewerbeimmobilien.de](mailto:info@jb-gewerbeimmobilien.de).

## Executive Summary

### Macro location Kassel

- The Northern Region of Hesse with its capital Kassel has developed well in the last years.
- Demographic trends forecasts a decline in population on the long run, but in comparison with the whole of Germany, it's a moderate declining.
- The positive economic development becomes noticeable as follows: Since 2006 a reduce of unemployment rate about 6.6 %, increasing of average salaries and spending power.
- Due to the location of Kassel in the heart of Germany, especially logistic and retail companies prefer Kassel as place.
- National consultant companies like PROGNOSE published positive forecasts to the Kassel region. For example: The City of Kassel was benchmarked with a total of 412 other cities/regions in Germany. Kassel reached here position 119.

### Lease Market

- **Office Stock** approx. 1.1 million square meter, vacancy rate between 7.0 to 7.5 %, increasing of developments, lease turnover p.a. between 15,000 to 20,000 sm/p.a. (estimation of JBG).
- Stable demand for modern office space, older buildings without refurbishment in the last years have low chances in the lease market.
- Office space in medium quality around 5.50 EUR/sm, good qualities around 6.50 EUR/sm, top quality between 7.00 and 10.00 EUR/sm.
- **Stock of retail space** in the City of Kassel approx. 450,000 sm, directly in the city approx. 125,000 sm, nearly no vacancy in the inner city.
- Good demand from international retailers, fashion company Peek&Cloppenburg will open its first shop in spring 2012 directly in the city.
- Top retail space up to 120 sm is available between 75.00 and 95.00 EUR/sm. Larger retail space is offered between 25.00 and 40.00 EUR/sm. Big box retail space in the outskirts of Kassel is sandwiched between 10.00 and 20.00 EUR/sm.
- Northern Hesse region has a stock of **logistic space approx. 3.0 million sm** and with this size one the largest top logistic locations of Germany. Ambitious logistic developments are in the development pipeline.

- Increasing demand from car-related companies, logistic providers and local large size companies.
- Average rent for logistic space is around 2.50 EUR/sm, prime rent is around 4.00 EUR/sm.
- Current number of **residential units** is about 103,000, residential vacancy rate approx. 4.4 %, tenant quota around 80.0 %.
- Every inhabitant of Kassel has approx. 39.64 sm in average (whole Germany 42.5 sm).
- Increasing of residential rents in good and top locations during the last two years, low development activities.
- Residential rents: Medium quality between 4.00 and 6.00 EUR/sm, good quality between 4.50 and 7.00 EUR/sm, top quality between 7.00 and 9.00 EUR/sm.
- **Stable hotel market:** Average occupancy rate of 68 % a year, average room price of 53.00 EUR/night and average profit/night of 36.00 EUR (figures from 2007).
- Probably demand for a new budget hotel in the city of Kassel and a \*\*\*-Hotel in the eastern part of the city. Furthermore JBG sees a lack of a good quality boarding house.

## Investment Market

- Cap rates for **new office buildings** between 6.00 and 7.27 %, if fully let. Older office buildings between 7.50 and 9.00 %.
- Low offer of newly built office buildings, not easy to sell older buildings. Strong demand on new office buildings.
- Prime **retail buildings** achieve around 5.50 % cap rate. Modern retail buildings in direct city location are available between 5.80 and 6.70 %. Big box retail within Kassel reaches between 7.00 and 7.80 %.
- In 2010 some large transactions were done: Commerz Bank/Müller Building, department store Sinn-Leffers and department store Peek & Cloppenburg were sold to different investors. Kassel seems to be very interesting for retail investors.
- New **logistic buildings** are available around 7.70 %. Older logistic buildings achieve between 9.50 and 10.5 % yield, depends on lease situation and building condition.
- Between 2005 and 2007 strong investment activities in logistic buildings especially from non-domestic investors. Strong demand for newly built logistic buildings, some large projects are in the development pipeline.
- **New constructions of residential buildings** for investors are rare. If these kinds of buildings are on the market, they reach around 6.70 % if fully let. Older residential units and low quality/location achieve around 10.00 %. Medium to good quality/location are on the market between 7.70 and 9.00 %. Historic multi-family houses in top location/quality reach up to 6.90 %.
- Good demand from private investors and local residential companies. Vendors are often outside from Kassel.
- In the **hotel sector** market players expect a lot in the development of the „Hotel Reiss“ in the near of the city. Probably demand for a budget hotel in the city and a \*\*\*-Hotel in the eastern part of Kassel.